

Exhibit 3

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MASSACHUSETTS

IN RE: COLUMBIA UNIVERSITY) CA 04-01592
PATENT LITIGATION) Boston, MA
) September 9, 2004
)

BEFORE THE HONORABLE MARK L. WOLF
UNITED STATES DISTRICT JUDGE
TELEPHONE CONFERENCE

APPEARANCES:

(As previously noted.)

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1 THE COURT: Good morning. This is Judge Wolf.

2 I have the stenographer and members of my staff here.

3 Could we start with the plaintiffs and have you
4 each identify yourselves for the record. In addition, it
5 will be necessary for you to identify yourself before you
6 speak.

7 MR. WARE: This is Donald Ware on behalf of
8 Biogen, Idec, and Genzyme.

9 MS. LAPORTE: Claire Laporte, also on behalf of
10 Biogen, Idec, and Genzyme.

11 MR. PALS: Mark Pals on behalf of Abbott
12 Bioresearch Center. And with me is Marcus Sernel, also
13 for Abbott Bioresearch Center.

14 MS. PRUETZ: Adrien Pruett on behalf of
15 Genentech.

16 MR. STONE: And Robert Stone on behalf of
17 Genentech.

18 MR. HASSON: Good morning, your Honor. Kirke
19 Hasson on behalf of Amgen and Immunex.

20 MS. HERLIHY: Eileen Herlihy on behalf of Amgen
21 and Immunex.

22 MS. BEN-AMI: Leora Ben-Ami for Wyeth and
23 Genetics Institute.

24 MR. ZALESIN: And this is Steven Zalesin and
25 also Melissa Mandrgoc on behalf of Johnson & Johnson.

1 THE COURT: Is that all the plaintiffs? I think
2 so.

3 And for Columbia?

4 MR. GINDLER: This is David Gindler for Columbia
5 University.

6 MS. TESSAR: And Amanda Tessar, also for
7 Columbia.

8 MR. MCCONCHIE: And Scott McConchie, also for
9 Columbia.

10 THE COURT: Mr. Maffei is not available?

11 MR. MCCONCHIE: He's not available.

12 THE COURT: All right. This conference call was
13 scheduled by my September 3 order following the filing on
14 Thursday, September 2, of Columbia's motion to dismiss
15 based on the covenant not to sue.

16 Mr. Gindler, the motion has what purports to be
17 a certificate of consultation, but it doesn't meet the
18 requirements of our Local Rule 7.1A2. The rule requires
19 that no motion shall be filed unless counsel certify that
20 they've conferred and have attempted in good faith to
21 resolve or narrow the issue.

22 The certificate is clear, and the e-mail that
23 has been sent to me confirms it, that on September 1, I
24 guess it was, a week ago Wednesday, you sent an e-mail to
25 the plaintiffs and asked them to let you know by the next

1 day at one o'clock whether their clients would agree to
2 the dismissal based on the covenant not to sue of this
3 case involving hundreds of millions of dollars. That's
4 not a good faith conference, and it's a particular
5 problem, although it would have been inadequate under any
6 circumstances, when we're talking about the Thursday
7 before Labor Day weekend when it's foreseeable that
8 lawyers and their clients are not going to be immediately
9 accessible or at least some of them.

10 I and many of my colleagues reject motions on
11 that basis alone, and I think the problem in this case is
12 particularly acute because, if you had had the kind of
13 serious conference and consultation contemplated by the
14 rule, perhaps much of this or all of this frenzied
15 activity could have been avoided. You feel you have a
16 strong case for dismissal, and the plaintiffs haven't
17 really had a chance to or didn't have a chance before the
18 motion was filed to focus on it and see whether the
19 issues could be narrowed or resolved.

20 Mr. McConchie, you vouched for the fact that Mr.
21 Gindler and his colleagues were familiar with the Local
22 Rules. They were familiar enough to put on a
23 certification, but not familiar enough to obey them. And
24 I think it has substantive implications, potentially,
25 here. Because now at a time that the parties were to be

1 and are, I'm sure, very busy preparing for the motions
2 for summary judgment on double patenting -- and I've got
3 other things to do too -- we may be having controversies
4 over things that would be resolved if there were proper
5 consultation.

6 And one of the things I'm contemplating, but
7 we'll get to it, is building in a period in this schedule
8 for that consultation, because it seems to me that it
9 really might not be futile.

10 At the moment, I'm not talking about sanctions,
11 and I'm not talking about revoking Mr. Gindler's right to
12 practice here although, if there's a recurrence of this
13 attributable to Columbia, I'm sure I'll seriously
14 consider both. But I'm really concerned about the
15 substance of this.

16 Let me see -- I've read the papers and some of
17 the cases. And the schedule, including whether I ought
18 to build in a time for consultation, which would give the
19 plaintiffs beyond the 16th to respond, is appropriate.

20 I want to see if you and I have a common sense
21 of the meaning of the covenant not to sue on the '275
22 patent as presently issued.

23 Mr. Gindler, does this mean that Columbia has
24 given up its right to seek damages or other remedies up
25 to the date of any reissuance, even if some of the

1 original claims of the '275 patent are reissued in the
2 original form?

3 MR. GINDLER: I think so, but let me be as clear
4 as possible. We are giving up our right to go after the
5 plaintiffs for infringement or for royalties based upon
6 any product that they make now or made in the past,
7 whether those products were sold today or tomorrow, on
8 the '275 patent. It does not cover the reissue except
9 for any claims in the reissue which are the same as or
10 substantively identical to the claims that are in the
11 '275 patent today.

12 THE COURT: Okay, and that's responsive to my
13 question, because I did look at your Spectronics case,
14 and I got the impression, possibly the misimpression,
15 that in the absence of that representation you might have
16 a right to sue on claims in any reissuance that -- well,
17 sue for conduct prior to the reissuance based on any
18 claims in the reissuance that were the same as the
19 original claims.

20 MR. GINDLER: That right has been given up.

21 THE COURT: And, in that sense, you say, this is
22 like Spectronics?

23 MR. GINDLER: It's like Spectronics and it's
24 like Amana.

25 THE COURT: Okay. If we get to briefing and the

1 plaintiffs disagree, you can tell me, but -- and it may
2 be that some of this clarification should be memorialized
3 in writing in addition to being in the transcript, but we
4 can get to that.

5 Then there's a statement in the September 3
6 letter, which it will take me just a second to pull out,
7 that Mr. Gindler wrote to me in response to Mr. Ware's
8 September 2 letter, which I didn't have when I issued my
9 September 3 order. It was electronically filed in the
10 evening, but I wasn't aware that it was here, Mr. Ware.
11 But the last paragraph on the first page says in part:
12 Columbia's covenant not to sue expressly states that
13 Columbia will not assert the '275 patent as it presently
14 reads against any plaintiff as a basis to recover
15 royalties with respect to covered products under
16 plaintiffs' license agreement with Columbia. This means
17 that Columbia's notice of termination of plaintiffs'
18 license agreements are ineffective insofar as they were
19 based upon the failure to report and pay royalties on
20 products covered by the '275 patent.

21 Does this mean that Biogen and the other
22 plaintiffs now have their licenses back, in effect, from
23 Columbia's perspective and, among other things, as long
24 as they pay whatever they were required to pay to
25 maintain the license, they have a right to future patents

1 covered by the license?

2 MR. GINDLER: It may not mean that for all the
3 licensees. I don't have the termination letters before
4 me, but I do recall that for at least some of the
5 licensees there were additional grounds for the
6 termination, and one additional ground that I can think
7 of is the failure to permit Columbia to conduct an audit
8 under the provisions of the licensing agreement. So it
9 may not be the case that everyone gets their license
10 back, but I can say what I think is very clear in the
11 letter, which is that any failure to pay royalties under
12 the '275 patent, as set forth in our covenant not to sue,
13 that's not a basis for termination anymore. That is
14 withdrawn.

15 THE COURT: And so does that mean -- was the
16 sole reason for terminating Biogen, which is the one I
17 have most clearly in mind, the failure to pay royalties
18 in connection with the '275?

19 MR. GINDLER: I would say it was probably the
20 biggest reason. I don't have the Biogen termination
21 letter in front of me.

22 THE COURT: Mr. Ware, do you know?

23 MR. WARE: I also don't have it in front of me,
24 but I believe that the notice referred to more than
25 merely nonpayment of royalties under the '275 patent. We

1 raised this in our conference call with Mr. Gindler on
2 Tuesday and, similarly, were not told one way or the
3 other what Columbia's position was as to whether there
4 was a license in effect.

5 THE COURT: Well, that anticipated my next
6 question. These are the type of things when, you know,
7 you're conferring, to narrow or eliminate disputes, you
8 ought to be focusing on, because if Biogen has its
9 license back, if it's Columbia's position -- and it has
10 to be clarified that it's not terminated -- under that
11 Gen-Probe case that I discussed at 29 to 30 of
12 preliminary injunction decision on August 13, maybe that
13 contributes to eliminating a case in controversy too.
14 Or, conversely, and this is really a rhetorical -- this
15 is really not a rhetorical question -- if they have lost
16 their licenses, does that distinguish this from that
17 Supersack line of cases?

18 MR. GINDLER: Your Honor, it might create a
19 controversy between the parties as to whether or not
20 their license is in effect, but it would not be in a
21 controversy at all about the '275 patent because it would
22 simply be a controversy, for example, with Biogen as to
23 whether or not we had the right to terminate or, later,
24 to permit an audit. That's not a question about the '275
25 patent.

1 THE COURT: Well, but I haven't gone back to the
2 pleadings today. The question before me is not -- you
3 know, it's in part whether there's any case or
4 controversy at all. If I'm going to dismiss -- well,
5 these are the type of issues. But, I mean, as a
6 practical matter, if you're going to talk about
7 settlement, which Columbia tells me as recently as the
8 joint report yesterday it's willing to do, or if you're
9 going to talk about narrowing the issues, I think
10 Columbia has to be clear on whether Biogen has a license
11 today or not.

12 MR. GINDLER: This is David Gindler. I'm happy
13 to communicate that position to Biogen sometime later
14 today. I will go back and look at their (sic) letter.

15 THE COURT: But with regard to all of the
16 plaintiffs.

17 MR. GINDLER: I'm happy to do that for all of
18 the plaintiffs.

19 THE COURT: All right. Because it's -- and if
20 it takes you longer than today, take your time. I mean,
21 you're not going to take forever, I know.

22 MR. GINDLER: I don't think it will take longer
23 than today or tomorrow.

24 THE COURT: All right. Because that -- I was
25 wondering about the language insofar as they were based

1 on the failure to report and pay royalties. I didn't
2 know whether that meant they might be terminated for
3 another reason and, if they're terminated for another
4 reason, whether that has any implications for whether I
5 have Article III power to hear this case and, to the
6 extent they're only declaratory judgment cases, I should
7 exercise my equitable discretion, because -- I think this
8 may be in Columbia's memo. I keep using Biogen as kind
9 of the paradigm because I had the preliminary injunction
10 motion. But Biogen has a claim for declaratory relief,
11 right?

12 MR. WARE: Yes, your Honor. This is Donald
13 Ware. But there is more than a claim for declaratory
14 judgment.

15 THE COURT: That's what I was going to get to.
16 Are you seeking more than attorneys' fees in declaratory
17 relief?

18 MR. WARE: Well, there is a contract claim and,
19 of course, when we pleaded the contract claim, we pleaded
20 it more than a year ago, so the events of the last six
21 months had not occurred, and a lot has occurred since
22 then, which will lead us to supplement our pleadings to
23 cite those events. So, in our view, there is a breach of
24 contract claim that implicates the actions of Columbia
25 over the last six months, including the attempt to

1 enforce the '275 patent and the termination letter and
2 the attempt to extract royalties and, indeed, the
3 successful extraction of royalties from some of the
4 companies. So it's a complex factual situation that is
5 quite different from the cases, I think, that have been
6 cited to the court by Columbia.

7 THE COURT: And is that why you said in your
8 letter, Mr. Ware, that Biogen has wrongful termination
9 claims too, but they're not asserted yet?

10 MR. WARE: Yes, because, of course, we haven't
11 had the opportunity to do so. That's by way of
12 supplementing. But I would say that we also, at least
13 thus far, as we have looked at the cases, we also think
14 that there will be issues we presented to the court that
15 do concern the -- or that will demonstrate to the court
16 that the court continues to have jurisdiction over even a
17 straight-forward declaratory judgment claim, because
18 there's some issues as to the scope of this covenant.

19 THE COURT: You see, that's what I think you
20 really need to confer about. I've asked you probably the
21 questions on the scope of the covenant. But what are the
22 other questions you have on the scope of the covenant?

23 MR. WARE: Well, we did have a conference with
24 Mr. Gindler on Tuesday, and so we only just began to
25 learn some of the issues about the scope of the covenant.

1 But the covenant, I think you can see, is limited in
2 terms of -- it's directed to certain products or products
3 that were or, arguably, infringe prior to a certain date.
4 And just to call the court's attention to the Ultratech
5 decision that you brought to our attention, there
6 certainly are many issues about other activities the
7 parties have undertaken. Virtually, I think, all of
8 these other companies have other products under
9 development that were not clear as to whether they're
10 within this covenant or not, but they may not be. And,
11 so, as the Altertec decision pointed out, there are
12 issues about whether concrete steps have been taken that
13 would be outside of the scope of the covenant. And
14 that's the sort of thing that we need to be able to
15 present to the court in briefing and, indeed, it's one of
16 the reasons why the proposed briefing schedule of
17 Columbia is too short, because it requires considerable
18 consultation with our clients to pull together the facts
19 that are relevant to each of these different --

20 THE COURT: But even before you consult your
21 clients or even in connection with consulting your
22 clients, maybe after, don't you have to confer with Mr.
23 Gindler and clarify the scope of the covenant? I gather
24 that they -- that Columbia tried to, you know, draft a
25 covenant not to sue that's, you know, broad enough to

1 cover everything, you know, including -- well, I don't
2 know, including what you're developing. But whatever the
3 cases have said -- and I'll have to go back and look at
4 what I wrote, among other things -- you know, is
5 sufficient to extinguish an Article III case or
6 controversy.

7 MR. WARE: Your Honor, again, this is Donald
8 Ware. And, certainly, a consultation conference with
9 Columbia on some of these points can be very helpful. We
10 did have a conference pursuant to your Honor's order on
11 Tuesday afternoon. So we did receive some clarification,
12 although some of even that is confusing to us. We're not
13 sure if it's consistent with what was written, and we
14 don't have any written confirmation of any of it. I
15 think as we all come to understand through conferring
16 with our own clients as to what their peculiar factual
17 circumstances are, that that is likely to lead to the
18 desirability of further conference with Columbia to seek
19 further clarification.

20 THE COURT: Well, this is what I had in mind,
21 because you think there's some question, if not
22 ambiguity, about the scope, and I notice that in my SVG
23 decision I call it, the Ultratech decision, on page 8, I
24 noted that patents infringement can result not only from
25 selling a patent infringement can result not only from

1 selling a patented invention, but also from making,
2 using, or offering to sell that invention. See 35 USC,
3 section 271.

4 I mean, it sounds to me like, Mr. Ware, you're
5 saying -- well, your client is making something in
6 development or whatever. But I haven't, although I can
7 pull it out, looked at the covenant not to sue.

8 But, Mr. Gindler, if they're making something
9 but not selling it now, is that also protected by the
10 covenant not to sue?

11 MR. GINDLER: I believe that's what the covenant
12 says. We tracked the language of the patent statute.

13 THE COURT: Right.

14 MR. GINDLER: If I could be very, very clear on
15 that point and, in fact, in the conference that we had on
16 Tuesday, the plaintiffs did ask me many questions about
17 the scope of the covenant. I tried to answer all of
18 those as clearly as I could, and I'm happy to put all my
19 answers in writing if there's something that was unclear
20 to them in the call. There was no question that I
21 declined to answer about the scope of the covenant. I
22 tried to be as clear as I possibly could.

23 THE COURT: It would actually be helpful to me,
24 if not to them, if you would do that. They should tell
25 you, maybe when I get off the call, what they think their

1 questions are, or we can do some of them in the call.
2 Because when we come up to a hearing on this motion, if I
3 if I have to decide the motion, I don't want any facts to
4 be in dispute. I don't want to have competing
5 contentions as to what the covenant means because,
6 although I may change my mind before we get off the call,
7 I think this is going to take longer to get to the
8 hearing than Mr. Gindler would like. It's going to be my
9 intention to either decide the matter orally or, if I
10 can, very shortly after the hearing in writing. And to
11 do that, it means that there should be a clear and common
12 sense, at least to the maximum extent possible, of what
13 the facts are. And you'll be arguing, I'll be deciding
14 the implications of those facts.

15 And, in fact, you know, the more you reassure
16 them that they're fully protected except with regard to
17 new claims or amended claims that might emerge from a
18 reissuance, I think the better chance you have, Mr.
19 Gindler, of persuading them not to contest this or
20 persuading me, based on what I know so far, which is
21 tentative, that there's not an Article III case or
22 controversy.

23 MR. GINDLER: Your Honor, this is David Gindler.
24 Concerning the covenant, we did take a very hard look at
25 the case law. There obviously is a good body of Federal

1 Circuit case law on this. And we tried to model the
2 covenant exactly on what courts have found to be
3 appropriate in the past so that we could look at our
4 covenant and look at the case law and say, well, gee,
5 that's pretty much like the covenant in Supersack, pretty
6 much like the covenant in Amana. And we tried to be even
7 clearer than the covenants in those cases by always
8 tracking the language of the Patent Act, even though some
9 of the covenants in those cases didn't quite exactly do
10 this. We tried to make this as clear as we could.

11 When we spoke with the plaintiffs' counsel on
12 Tuesday, we did try to engage them in a dialogue about
13 what concerns they had about, okay, we've now answered
14 your questions, can you tell us your views about whether
15 you think any of the claims that you've currently pled
16 are going to survive and tell us some of the reasons for
17 that? All we got back from them was, well, we think some
18 of our claims survive, but really no substantive dialogue
19 on that point.

20 Mr. Ware said that there are contract claims in
21 their current complaint, and I'm not a hundred percent
22 sure of what he meant by that because there are four
23 counts in Biogen's complaint, all of which are
24 declaratory judgment counts. One is for a declaration
25 under the license agreement that no royalties are owed

1 under the '275 patent because the patent is invalid. The
2 second is the declaration for invalidity of the '275
3 patent. The third is declaration for unenforceability of
4 the '275 patent for prosecution laches. And the fourth
5 is a request for declaration of exceptional case. That's
6 what we're moving to dismiss.

7 THE COURT: Mr. Ware can clarify, but what I
8 thought the implication of his earlier remarks were -- I
9 thought the implication of his earlier remark was that
10 they filed the complaint before you terminated the
11 license and, therefore, like -- is it Genentech? -- they
12 want to amend their complaint to assert a wrongful
13 termination claim.

14 MR. GINDLER: I did understand Mr. Ware to be
15 suggesting that he would do that. But if they do that,
16 again, the '275 patent is not going to be a basis for
17 that. I think we've made that very clear.

18 MR. WARE: Your Honor, I'll just say that we
19 don't agree with that. We think that there would be a
20 variety of causes of action that arise out of the
21 activities of Columbia over the last six months which
22 will put directly -- which do put directly into play
23 whether Columbia has engaged in activities to assert an
24 invalid patent against these companies.

25 THE COURT: And once they've abandoned those,

1 what would you be seeking, damages?

2 MR. WARE: Yes.

3 THE COURT: And what would be -- what makes it
4 -- I'm not a patent lawyer -- what makes it unlawful to
5 assert what you claim is an invalid patent?

6 MR. WARE: I think that we would assert both
7 under the contract that it would be a breach of the
8 contract to demand payment of royalties on threat of
9 termination of a license that covers other intellectual
10 property by asserting an invalid patent.

11 In addition to that, under the federal law,
12 there is a doctrine of patent misuse that comes into
13 play. Because what we have seen over the last six months
14 is a pattern of activity by Columbia in which an invalid
15 patent was asserted against the entire industry.

16 Royalties were extracted from many companies, including
17 one or more of the companies that are involved in this
18 litigation which, as far as I know, Columbia hasn't
19 offered to pay back. And threats of termination and then
20 actual termination occurred. Settlements were extracted,
21 including from one of our clients.

22 THE COURT: Well, but if somebody has settled,
23 then they don't have -- I've dismissed their case,
24 haven't I?

25 MR. WARE: No, I don't say that in the sense of

1 saying that I'm attempting to resurrect their case. I'm
2 talking about a pattern of misuse of a patent to obtain
3 financial gain that is -- was improper. And, only now,
4 after causing everyone to spend boat loads of money to
5 try to preserve these licenses, Columbia has decided to
6 change its mind about terminating licenses, evidently,
7 although we're not even sure about that. But there is
8 some pretty clear law that supports the proposition that
9 those fees that were incurred can be recovered as
10 damages, not merely as fees under these circumstances.

11 So those are the kinds of claims that we would
12 be supplementing our complaint to assert.

13 THE COURT: Well, you'd have to move for leave
14 to amend it, and then I'd have to decide if that's
15 contested and, if it's contested, whether the interests
16 of justice make it appropriate.

17 MR. WARE: Yes, I was only going to say it would
18 be -- I think there's a somewhat different standard for
19 supplementation as opposed to amending to bring to light
20 facts that occurred after the filing of the original
21 complaint. But, in any event, yes, that is certainly
22 true. The existing complaint, however, does have a count
23 in the complaint asking the court to determine that no
24 royalties would be owed on the '275 patent because that
25 patent is invalid.

1 THE COURT: Well, I know, but that essentially
2 is moot. If the covenant not to sue gives up any right
3 to sue on the present claims or to recover on the present
4 claims of the '275 patent, even if they emerge in their
5 original form in the reissuance, you've won that. I
6 mean, I just have a question, the idea of whether you
7 have the license anymore, because I don't know whether
8 this license for a bundle of intellectual properties in
9 any way distinguishes this case from the other cases in a
10 way that would make a difference. But that's why I think
11 it's important to know whether you've got a license.

12 MR. WARE: Well, right, your Honor, and we still
13 don't know the answer to that. I would point out that
14 none of the cases that Columbia has cited were cases that
15 involved licenses. They were all declaratory judgment
16 actions by parties who had been, perhaps, threatened with
17 an infringement suit, but they weren't licensees. So
18 there are different circumstances here. And even if the
19 issue of a declaration as to whether royalties are owed
20 the license agreement on the '275 patent, that would not
21 remove the basis for a claim to damages for breach of
22 that contract which, in our view, puts the issue of the
23 validity of the '275 patent in play, in any case.

24 These are all matters that we hope to be able to
25 have an opportunity to brief.

1 THE COURT: Well, if necessary, you will,

2 but --

3 MR. GINDLER: Your Honor, this is David Gindler.

4 I think some of the points that Mr. Ware has made really
5 are distinctions without a difference, things you pointed
6 out. We tried to be as clear as possible under the
7 covenant that no royalties are owed for the '275 patent
8 under the license agreement. You wanted that to be
9 clear, and so we made that statement (sic) in addition to
10 making the point about not suing for infringement of the
11 '275 patent (sic) with respect to products which were
12 made an hour before the date of the covenant.

13 Mr. Ware's recitation of the history, I just
14 don't think is right. He said that we asserted this
15 patent against the entire biotech industry. We didn't do
16 any such thing. The only thing that we did, when the
17 patent issued, we sent a copy of it to all of our
18 licensees that there's a new patent that's covered by the
19 provision of the agreement.

20 THE COURT: Well, it wasn't right after it
21 issued, was it?

22 MR. GINDLER: Sorry?

23 THE COURT: You didn't send it right after it
24 issued.

25 MR. GINDLER: Yes, shortly after the patent

1 issued, we sent letters.

2 THE COURT: I thought -- maybe I misremember. I
3 thought it issued in September, and you didn't send the
4 letter to Biogen until after it wrote in and said, this
5 is our last payment.

6 MR. GINDLER: No, I think we sent letters after
7 the patent issued to everybody who was a licensee and
8 told them areas of the patent (sic). And we didn't sue,
9 start this fight. Actually, Genentech did first. They
10 sued us. And then Amgen sued us. And then Biogen and
11 Genzyme and Abbott sued us. And then Baxter sued us.
12 And once every licensee with any material royalty
13 obligations had sued us, there were only two that were
14 left out, and we thought, well, if we're going to fight
15 it out with most everybody, we might as well fight with
16 everybody, and we brought in J & J and Soronto (sic), who
17 shortly after that sued us back. So this is not a fight
18 that we started.

19 THE COURT: Okay. If the -- let's say the '275
20 claims are not -- I'm satisfied, as Mr. Gindler says I
21 should be, that there's no case or controversy regarding
22 the '275 claims. Then, right now, there are claims
23 against Genentech and J & J that Mr. Gindler would like
24 me to try to have remanded. What are those claims? Mr.
25 Gindler?

1 MR. GINDLER: I think the claim by Genentech is
2 a claim that the license agreement was improperly
3 terminated. I believe that the basis for termination --
4 one of the bases for termination of the Genentech license
5 agreement was the failure to permit an audit.

6 The J & J claim deals with, I believe, a
7 provision which is unique for the J & J agreement, and I
8 think J & J are just concerned that we would be seeking
9 royalties for products made and sold after the expiration
10 date of the original (sic) patent based upon possibly
11 patents in foreign jurisdictions which are still in
12 existence. And I can tell you as to the J & J provision,
13 we're not going to seek any such royalties.

14 THE COURT: Exactly. This is why I want you all
15 to talk because -- I'll get to it shortly. I'm almost
16 done with my questions. Yeah, if that were the only
17 issue that were left, you could settle that. You just
18 said, in effect, you wouldn't seek anything. And then
19 Columbia has counterclaims against Amgen and Immunex.
20 What are those counterclaims?

21 MS. TESSAR: Those counterclaims relate to
22 breach of contract and declaratory judgment -- this is
23 Amanda Tessar -- partially for -- excuse me. The claims
24 are permanent on Amgen and Immunex's breach of contract
25 and failing to pay royalties relating to, initially, both

1 the '275 patent and also some of the original patents.

2 So, to the extent that they relate to the '275 patent,
3 they're mooted by the covenant not to sue.

4 THE COURT: All right. I mean, you probably
5 wouldn't be -- I have this vague sense -- maybe it's not
6 so vague -- that, you know, if it were any non-'275
7 issues, you all wouldn't be litigating with each other.
8 And maybe this is impossible if you have time, but maybe
9 it's not. In view of this covenant not to sue, I really
10 think there should be some very serious settlement
11 discussions. My -- here's my impression of things, and
12 not just the legal merits. I have been educated to
13 understand -- I hope not misunderstand -- you know, since
14 I started seeing you in May that the plaintiffs want as
15 much clarity as possible. Uncertainty is undesirable.
16 And, in fact, I think I wrote about that in denying the
17 motion for a stay. I understand. But I'm an Article III
18 judge. If there's no genuine case or controversy, I'm
19 not going to reach out to, you know, to perpetuate
20 litigation.

21 If the heart of this matter is the '275 and, at
22 the moment, the plaintiffs have no exposure under the
23 '275, including not losing their rights to whatever they
24 would get rights to under the license agreement, you
25 know, maybe there's no case. If what the plaintiffs at

1 this point are really worried about is that the Patent
2 Office will, in their view, make a mistake and reissue
3 the '275 with similar double patenting problems maybe --
4 so the plaintiffs think they have a strong case. You
5 think you're going to win and persuade me that there's
6 nonstatutory double patenting, and then you can take that
7 to the Patent Office, and it will help. But, you know,
8 now the Patent Office knows about this litigation.
9 You've got your experts. Why don't you just give all
10 that to the Patent Office and if, in your view, they do
11 the foolish thing and reissue the patent with some
12 amended or new claims and you think there's another
13 double patenting problem or that the reissued patent is
14 invalid for some purpose, you'll file new cases. For
15 better or worse, if it happens within two years, at
16 least, they'll come back to me in Massachusetts under our
17 related case rule. And if they're all over the country,
18 the multi-district panel will probably send them back to
19 me too. But if the plaintiffs are right and the '275
20 shouldn't be reissued in any form, then there's no reason
21 for any more litigation. And it seems to me that you
22 really ought to be having some serious discussions about
23 settlement. To a certain extent, the plaintiffs have
24 brought this case because there was no reissue
25 application filed, as I recall, when the cases started.

1 What the plaintiffs wanted to do is not have to pay on
2 the '275 and not lose their licenses. If Mr. Gindler
3 tells you you're not going to lose your licenses or you
4 haven't lost your licenses and you don't have to pay on
5 the '275, why shouldn't you, in essence, take yes for the
6 answer? You haven't had much time to think about this
7 because it all just came up before Labor Day weekend. If
8 you pause and look around, essentially, you may have
9 accomplished everything you could have reasonably hoped
10 to accomplish at the outset of litigation. And then you
11 should settle the case. And if something gets reissued,
12 cross that bridge when you come to it. But I'm sure that
13 the PTO is going to pay careful attention to this,
14 knowing how much litigation the dispute has already
15 generated.

16 I mean, is there some reason why you can't -- is
17 there something flawed about that kind of common sense?
18 You won't hurt my feelings by saying yes. I'm trying to
19 understand as a practical matter what's going on here.
20 Am I missing something really material there?

21 MR. WARE: Your Honor, this is Donald Ware.
22 Your Honor certainly put your finger on one thing that is
23 important to everybody, and that is greater certainty.
24 There are continuing -- there continue to be many issues
25 that cause uncertainty to all of the plaintiffs. They

1 include, for example, Mr. Gindler did make clear to us in
2 the conference on Tuesday that this covenant doesn't
3 cover any new products that come out, and these companies
4 are all constantly developing new products. And so every
5 time we have to make decisions, business decisions about
6 potential new products and what direction to go with new
7 products, we are faced with uncertainty as to whether we
8 should make technical scientific decisions about how we
9 develop those products in ways that will avoid the '275
10 claims or not, because those products are not covered by
11 this covenant. So that's an area of uncertainty.

12 Another thing we discussed with Mr. Gindler on
13 Tuesday was the pending '159 application, and we asked
14 could Columbia take an identical claim that is in the
15 '275 patent and put that in the '159 application and
16 assert that against the parties, or would that be covered
17 by the covenant? And he said, no, that would not be
18 covered by the covenant; they are absolutely free to take
19 an absolutely identical claim out of the '275 patent and
20 put it in the '159 application.

21 We are in the meantime faced with -- well, we
22 don't know whether the contracts are in force or not.
23 But if they were in force, we're asked to pay non-trivial
24 maintenance fees in order to maintain rights pending
25 another pending patent application. So there are a great

1 many uncertainties that continue to vex us in terms of
2 making both business and scientific decisions.

3 However, your Honor's point that perhaps these
4 matters too are matters that should be -- the parties
5 should be talking about -- is certainly a good one, and
6 perhaps Columbia is more prepared to give us greater
7 certainty than they have so far. But we certainly do not
8 feel that we have any certainty at this point.

9 MR. GINDLER: Your Honor, this is David Gindler.

10 THE COURT: I just want to say one thing. You
11 know, there may be some measure of uncertainty that you
12 would have to live with, you know, even if -- let's say
13 you win on the double patenting issue. Does that
14 eliminate all of these questions?

15 MR. WARE: We think it would eliminate all or
16 most of them. We also have, of course, the prosecution
17 laches defense and, if we prevail on that, that decision
18 would apply to any other application as well.

19 MR. GINDLER: Your Honor, this is David Gindler.

20 THE COURT: Yes. Mr. Gindler, try to speak a
21 little louder. The telephone is breaking up a bit.

22 MR. GINDLER: The issues that Mr. Ware has
23 raised have been addressed in the very cases cited in our
24 papers. The issue of new products is governed by
25 Supersack, and it's governed by Amana. That issue was

1 raised in those cases, and the court said, that does not
2 raise an actual existing controversy today. There's also
3 Federal Circuit authority that there can be no case or
4 controversy if someone says they're concerned about a
5 patent application that's still in the Patent Office.
6 That's been addressed as well. And the third issue that
7 Mr. Ware raised I was surprised he raised, which is the
8 payment of maintenance fees. We had this motion that was
9 brought by Biogen and Genzyme to keep their license
10 agreement in place. They said that they wanted to pay
11 the maintenance fees to keep it in place because they
12 wanted to maintain the rights to the '636 patent, the
13 other patent that is not part of the actual family that's
14 part of the license agreement. Now I'm hearing him say
15 something different.

16 THE COURT: But that's why -- I mean, if this
17 were just about the maintenance fees, my sense is you
18 would work it out, and --

19 MR. GINDLER: They can pay them or not. It's up
20 to them if they want the '636 or not.

21 THE COURT: Well, or also to preserve their
22 options with regard to any reissued '275, I suppose.

23 MR. GINDLER: That's exactly right. That's
24 their call.

25 THE COURT: Because, I mean, you saw what I did

1 in SVG and, on one hand, I understand, you know, why the
2 plaintiffs would like maximum certainty, no uncertainty,
3 ideally, but I follow the law, in any event. I tend to
4 be a stickler on jurisdiction. I always pay attention to
5 it, try to pay attention to it, even if the parties don't
6 raise it. And it just seems to me that this case has
7 changed so much now that my inclination is the following.
8 I think that the representations that Mr. Gindler has
9 made about the scope of the covenant, what it covers and
10 what it doesn't, and the answers he'll give you soon on
11 whether you have licenses or you don't have licenses --
12 and I suppose if they don't have licenses, they're going
13 to argue more strenuously that they were wrongfully
14 terminated -- maybe they'll argue that anyway -- but my
15 inclination is to give you at least a week to really try
16 to narrow and settle some or all of these cases. And
17 then -- I mean, you'd have more time if we weren't on
18 this fast track on the double patenting issue, which I'm
19 not inclined to alter, and then I'd get the plaintiffs'
20 response and the Columbia reply and, if necessary, I
21 would probably give you a hearing toward the beginning of
22 August -- October, excuse me -- with a view to deciding
23 the matter pretty quickly. So, if there's no case, you
24 don't have to finish the summary judgment submissions,
25 but you will have to complete all the discovery, unless

1 you settle the case in the next week or so. And I know
2 that's -- it just seems to me that that will, at a
3 minimum, lead to greater factual clarity so -- I know I'm
4 not trying to decide on a fluid record, actual record --
5 we'll know the scope of the covenants and whether people
6 have licenses or don't have licenses. And then I'll
7 decide it. It's all subject to an appeal. If I dismiss
8 the case, the plaintiffs can appeal. But I'm willing to
9 hear from you, but I don't know if it has any impact.
10 But you've got some Jewish holidays starting next week,
11 and I'm going to be in Seattle, Washington for a good
12 part of the week after that and have some other things
13 when I get back that can't be moved. So the schedule I'm
14 talking about, in some respects, is not going to delay a
15 decision, because I'd have trouble getting you in for a
16 serious hearing before about October 5, in any event.
17 And I suppose if Columbia had -- and I'm willing to
18 listen to you on this, Mr. Gindler -- but if Columbia
19 filed this covenant back in June or earlier, we wouldn't
20 be under the time pressures we're under now. But I do
21 know that counsel, the experts, and me have carved out
22 big pieces of time for the remainder of this year to deal
23 with this double patenting issue and I'll either dismiss
24 the case and get some time, or I'll adhere to that
25 schedule. But my ability to devote that kind of time

1 further down the road is uncertain. I've got other
2 demands in criminal cases, among other things.

3 MR. GINDLER: Your Honor, this is David Gindler.
4 We understand the demands on the court's time. Our hope
5 is to try to have this done as quickly as possible with
6 the court's own schedule and hoping to avoid any further
7 costs in the current double patenting schedule that the
8 court has laid out. We gave the covenant as soon as
9 Columbia made the decision to go this route. It was an
10 extremely difficult decision for the university to make.
11 It was largely driven by the university's desire not to
12 litigate '275 patent while the Patent Office is
13 determining what if any patent rights Columbia is
14 entitled to have in the first place. A very hard
15 decision to make. Many people were involved. And
16 Columbia is giving up quite a lot to make this decision.

17 THE COURT: And, in fact, you got -- I assume
18 that you and your client had material new information
19 after you had my decisions in the middle of August. If I
20 had stayed this litigation --

21 MR. GINDLER: We had a lot of new information
22 based upon the hearings we had, based upon your Honor's
23 rulings on the motion to stay, based upon expert reports.
24 All of these informed our decision. But the primary
25 factor making our decision ultimately, looking back on

1 things, was the desire to not be litigating the validity
2 or stability of the '275 patent while the Patent Office
3 has decided to take a fresh look at the patent and decide
4 what patent protection Columbia is entitled to have.
5 That issue is informed, of course, by all of the things
6 that have transpired in this case.

7 THE COURT: Mr. Ware, why don't you just take
8 your expert reports to the PTO.

9 MR. WARE: Well, we are not a participant. It's
10 Columbia. It's an ex parte.

11 THE COURT: I know. I wrote about this in the
12 stay. But it doesn't mean that -- you don't have the
13 same rights that you have in court, but it doesn't mean
14 you can't be heard at all. And the concern is you want
15 more certainty. But -- I mean, this may be as far as we
16 can go now. But, Mr. Ware, you and your colleagues have
17 been reading the cases that you think are going to
18 distinguish this from the Supersack line. We'll see.
19 But it just seems to me that this would be a very -- this
20 is a wonderful window of opportunity for everybody to
21 talk about settling the cases, because they are going to
22 be expensive. If the plaintiffs don't win on double
23 patenting, this goes for a long time. If the plaintiffs
24 do win on double patenting, there will be an appeal and a
25 period of uncertainty. It's hard when you get a motion

1 and somebody asks for an immediate response to step back
2 and say, you know, can we settle all of this? But I
3 think you ought to take at least a week to do that. And
4 if you come back at the end of the week and ask for more
5 time, both of you, I'd give you that.

6 MR. WARE: Your Honor, this is Donald Ware.
7 We'll certainly take that advice to heart. In terms of
8 the schedule for the briefing, is it your Honor's
9 suggestion that we not set a date today?

10 THE COURT: I'll give you some alternative
11 dates. I think I should. I'll give you some dates. But
12 if you're in serious settlement discussions, which I
13 really think you should be, I'll relax some of the
14 briefing dates, if you ask me to, because you're going on
15 several tracks. At the moment, I'm not relaxing the
16 dates for my June order to prepare -- to finish discovery
17 on the double patenting issues. We can take that up when
18 I see you. But I guess I'm going to order that you
19 report by 12 noon a week from today, the 17th, that you
20 confer with regard to both clarifying issues concerning
21 the scope of the covenant, and that should be in writing.
22 You should clarify whether the plaintiffs have licenses
23 or not. And you should try to settle the cases and
24 report to me on where all that is by 12 noon on the 17th,
25 unless you went to the beginning of the next week. And

1 then I thought I would have the plaintiffs respond to the
2 motion. Somebody should keep working on it, since you
3 have so many lawyers on different tracks, if necessary,
4 by the 21st. And I thought I would have Columbia respond
5 by maybe the 24th or, if they asked, maybe the 27th.
6 Then looking at my schedule, I'll give you a hearing on
7 the 5th at two o'clock.

8 MR. GINDLER: Your Honor, this is David Gindler.
9 That's fine with us. If we could have our reply until
10 the 27th.

11 THE COURT: That's fine.

12 MR. GINDLER: Thank you.

13 MS. BEN-AMI: Your Honor, it's Leora Ben-Ami for
14 Wyeth who, once again, has a conflict with your schedule.
15 I have a Markman hearing on the 5th in Delaware.

16 THE COURT: How about ten o'clock on the 6th?

17 MS. BEN-AMI: That works for me. Thank you,
18 your Honor.

19 THE COURT: Is that all right for everybody
20 else?

21 MR. GINDLER: Yes.

22 MR. WARE: Yes, your Honor.

23 MR. ZALESIN: Steven Zalesin for Johnson &
24 Johnson. With respect to the date for reporting to the
25 court, in light of the Jewish holidays, I think it would

1 be preferable from our standpoint if it could be on
2 Monday, the 20th.

3 THE COURT: Let's do that. Let's make that the
4 20th, and my office will have to get this to me out in
5 Seattle where I'm going to be at a judges' meeting.

6 So Mr. Gindler will get it on the 20th, and then
7 you've got until the 27th. Is that still enough time, or
8 do you want until the 28th, Mr. Gindler? Because I've
9 got to work on this too.

10 MR. GINDLER: If I understood the schedule, we
11 have to report to the court on the 20th. Plaintiffs'
12 response, though, is due the next day, the 21st.

13 THE COURT: Well, I was just going to move that
14 back. I think I should move that back a little bit.

15 MR. GINDLER: Okay.

16 THE COURT: Let's see. Just a second. Why
17 don't I give them until the 22nd.

18 Is the 27th still okay for you?

19 MR. GINDLER: If I could get until the 28th,
20 that would be great. Is that possible?

21 THE COURT: I'm just trying to make sure that I
22 leave my clerk and me enough time to get on this, in view
23 of everything else -- okay, the 28th.

24 MR. GINDLER: Thank you very much, your Honor.

25 THE COURT: And the other thing is I don't know

1 if you found this discussion helpful, but I certainly
2 did. If you're talking settlement and think seeing me or
3 speaking to me this way might contribute in any way to
4 breaking some log jamb, let Mr. O'Leary, the deputy
5 clerk, know, because, you know, just having the slight
6 bit of distance from this that the lawyers working at
7 frantic pace may not have, you know, a lot of what this
8 case has been about seems to be over. And maybe you can
9 get something mutually tolerable in settlement. You
10 know, sometime settlements involve payment of money,
11 sometimes it doesn't. But, you know, I keep using
12 Biogen, but Biogen is not being enjoined from making its
13 products or using its processes. You think that the --
14 Biogen thinks that the '275 should not be reissued. The
15 Patent Office certainly should know about the double
16 patenting problem. And there are ways for Biogen to
17 communicate, if not fully participate. And if you have a
18 license, you see what emerges. You can do one of two
19 things. You know, you can look at it and say, well, look
20 at that. They sufficiently revised it that now it's
21 valid. And you've got a right to it under terms that
22 Biogen negotiated many years ago.

23 Conversely, you know, if the Patent Office does
24 what Biogen thinks is the wrong thing and issues an
25 invalid patent, it's concrete. You can attack it the way

1 you attacked this one. But, otherwise, you run the risk
2 that -- you know what risks you run. But one of the
3 risks you run is that I dismiss the case if it's not
4 distinguishable from the line of cases that Mr. Gindler
5 is relying on.

6 But if I could contribute through moderating
7 discussions or anything else to settling the case, I'd be
8 happy to try to do that, to devote time to doing that,
9 because I really do think, particularly in the present
10 posture of the case, it would really be in everybody's
11 interest to settle. And the world always has some
12 uncertainty. Can't get rid of all of it, I don't think.

13 All right?

14 MR. WARE: All right. Thank you, your Honor.

15 THE COURT: Thank you very much. So long.

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CERTIFICATE

I, JUDITH A. TWOMEY, RPR, Official Court Reporter for the United States District Court, District of Massachusetts, do hereby certify that the foregoing transcript, pages 1 through 39 inclusive, was taken by me stenographically and thereafter by me reduced to transcription and is a true record of the proceedings in the above-entitled matter to the best of my ability.

JUDITH A. TWOMEY, RPR
Official Court Reporter